

103D CONGRESS  
1ST SESSION

# H. R. 674

To amend the Internal Revenue Code of 1986 to encourage investments in new manufacturing and other productive equipment by providing a temporary investment tax credit to taxpayers who increase the amount of such investments.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 27, 1993

Mr. GALLEGLY (for himself, Mr. BAKER of Louisiana, Mr. HUNTER, Mr. SOLOMON, Mr. LIGHTFOOT, Mr. LEVY, Mr. SAXTON, Mr. DOOLITTLE, Mr. FAWELL, Mr. ROHRABACHER, Mr. EMERSON, Mr. STUMP, and Mr. PACKARD) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to encourage investments in new manufacturing and other productive equipment by providing a temporary investment tax credit to taxpayers who increase the amount of such investments.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Temporary Investment  
5       Tax Credit Restoration Act of 1993”.

1 **SEC. 2. INVESTMENT CREDIT FOR MANUFACTURING AND**  
2 **OTHER PRODUCTIVE EQUIPMENT.**

3 (a) ALLOWANCE OF CREDIT.—Section 46 of the In-  
4 ternal Revenue Code of 1986 (relating to amount of in-  
5 vestment credit) is amended by striking “and” at the end  
6 of paragraph (2), by striking the period at the end of para-  
7 graph (3) and inserting “, and”, and by adding at the  
8 end thereof the following new paragraph:

9 “(4) the manufacturing and other productive  
10 equipment credit.”

11 (b) AMOUNT OF CREDIT.—Section 48 of such Code  
12 is amended by adding at the end thereof the following new  
13 subsection:

14 “(c) MANUFACTURING AND OTHER PRODUCTIVE  
15 EQUIPMENT CREDIT.—

16 “(1) IN GENERAL.—For purposes of section 46,  
17 the manufacturing and other productive equipment  
18 credit for any taxable year is an amount equal to 10  
19 percent of the excess (if any) of—

20 “(A) the aggregate bases of qualified man-  
21 ufacturing and productive equipment properties  
22 placed in service during such taxable year, over

23 “(B) the base amount.

24 “(2) QUALIFIED MANUFACTURING AND PRO-  
25 DUCTIVE EQUIPMENT PROPERTY.—For purposes of  
26 this subsection—

1           “(A) IN GENERAL.—The term ‘qualified  
2           manufacturing and productive equipment prop-  
3           erty’ means any property—

4                   “(i) which is used—

5                           “(I) as an integral part of the  
6                           manufacture or production of tangible  
7                           personal property, or

8                           “(II) in farming,

9                           “(ii) which is tangible property to  
10                          which section 168 applies, and

11                          “(iii) which is section 1245 property  
12                          (as defined in section 1245(a)(3)).

13           “(B) SPECIAL RULE FOR COMPUTER SOFT-  
14           WARE.—In the case of any computer software  
15           which is used to control or monitor a manufac-  
16           turing or production process and with respect  
17           to which depreciation (or amortization in lieu of  
18           depreciation) is allowable, such software shall  
19           be treated as qualified manufacturing and pro-  
20           ductive equipment property.

21           “(3) BASE AMOUNT.—For purposes of para-  
22           graph (1)(B)—

23                   “(A) IN GENERAL.—The term ‘base  
24                   amount’ means the product of—

25                           “(i) the fixed-base percentage, and

1           “(ii) the average annual gross receipts  
2           of the taxpayer for the 4 taxable years pre-  
3           ceding the taxable year for which the cred-  
4           it is being determined (hereafter in this  
5           subsection referred to as the ‘credit year’).

6           “(B) MINIMUM BASE AMOUNT.—In no  
7           event shall the base amount be less than 50  
8           percent of the amount determined under para-  
9           graph (1)(A).

10          “(C) FIXED-BASE PERCENTAGE.—

11               “(i) IN GENERAL.—The fixed-base  
12               percentage is the percentage which the ag-  
13               gregate amounts described in paragraph  
14               (1)(A) for taxable years beginning after  
15               December 31, 1987, and before January 1,  
16               1993, is of the aggregate gross receipts of  
17               the taxpayer for such taxable years.

18               “(ii) ROUNDING.—The percentages  
19               determined under clause (i) shall be round-  
20               ed to the nearest  $\frac{1}{100}$  of 1 percent.

21          “(D) OTHER RULES.—Rules similar to the  
22               rules of paragraphs (4) and (5) of section 41(c)  
23               shall apply for purposes of this paragraph.

24          “(4) ALLOCATION OF BASIS ADJUSTMENT.—

25               The reduction required by section 50(c) for any tax-

1       able year shall be allocated among the qualified  
2       manufacturing and productive equipment property  
3       placed in service by the taxpayer during such year  
4       in proportion to the respective bases of such prop-  
5       erty.

6               “(5) RECAPTURE.—In applying section 50(a) to  
7       any property which ceases to be qualified manufac-  
8       turing and productive equipment property, the credit  
9       determined under this subsection with respect to  
10      such property shall be treated as being equal to 10  
11      percent of the lesser of—

12               “(A) the excess referred to in paragraph  
13      (1) for the taxable year in which such property  
14      was placed in service, or

15               “(B) the basis of such property which was  
16      taken into account under paragraph (1).

17               “(6) CONTROLLED GROUPS.—Rules similar to  
18      the rules of paragraph (1) of section 41(f) shall  
19      apply for purposes of this subsection.

20               “(7) COORDINATION WITH OTHER CREDITS.—  
21      This subsection shall not apply to any property to  
22      which the energy credit or rehabilitation credit  
23      would apply unless the taxpayer elects to waive the  
24      application of such credits to such property.

1           “(8) CERTAIN PROGRESS EXPENDITURE RULES  
2       MADE APPLICABLE.—Rules similar to rules of sub-  
3       section (c)(4) and (d) of section 46 (as in effect on  
4       the day before the date of the enactment of the Rev-  
5       enue Reconciliation Act of 1990) shall apply for pur-  
6       poses of this subsection.

7           “(9) APPLICATION OF SUBSECTION.—This sub-  
8       section shall apply to periods after December 31,  
9       1992, and before January 1, 1995, under rules simi-  
10      lar to the rules of section 48(m) (as in effect on the  
11      day before the date of the enactment of the Revenue  
12      Reconciliation Act of 1990).”

13      (c) TECHNICAL AMENDMENTS.—

14           (1) Clause (ii) of section 49(a)(1)(C) of such  
15      Code is amended by inserting “or qualified manufac-  
16      turing and productive equipment property” after  
17      “energy property”.

18           (2) Subparagraph (E) of section 50(a)(2) of  
19      such Code is amended by inserting “or 48(c)(5)” be-  
20      fore the period at the end thereof.

21           (3) Paragraph (5) of section 50(a) of such Code  
22      is amended by adding at the end thereof the follow-  
23      ing new subparagraph:

24           “(D) SPECIAL RULES FOR CERTAIN PROP-  
25      PERTY.—In the case of any qualified manufac-

1           turing and productive equipment property  
 2           which is 3-year property (within the meaning of  
 3           section 168(e))—

4                   “(i) the percentage set forth in clause  
 5                   (ii) of the table contained in paragraph  
 6                   (1)(B) shall be 66 percent,

7                   “(ii) the percentage set forth in clause  
 8                   (iii) of such table shall be 33 percent, and

9                   “(iii) clauses (iv) and (v) of such table  
 10                  shall not apply.”

11           (4)(A) The section heading for section 48 of  
 12           such Code is amended to read as follows:

13   **“SEC. 48. OTHER CREDITS.”**

14           (B) The table of sections for subpart E of part  
 15           IV of subchapter A of chapter 1 of such Code is  
 16           amended by striking the item relating to section 48  
 17           and inserting the following:

                  “Sec. 48. Other credits.”

18           (d) EFFECTIVE DATE.—The amendments made by  
 19           this section shall apply to taxable years ending after De-  
 20           cember 31, 1992.

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